



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/31/2002

GAIN Report #CA2088

Canada

Poultry and Products

Canada Allows Poultry Meat Imports From Brazil 2002

Approved by:

Hugh J. Maginnis

U.S. Embassy

Prepared by:

George C. Myles

Report Highlights: Canada has recognized the poultry meat inspection system of Brazil and effective August 1, 2002, poultry meat from Newcastle disease-free States in Brazil will be eligible to enter Canada. The development provides the potential for cheap Brazilian chicken to displace U.S. chicken in the Canadian market. In 2001, Canada was the second most important export market for U.S. poultry meat after Russia.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

Summary: On July 25, 2002 the Canadian Food Inspection Agency (CFIA) announced that it has approved the poultry meat inspection system of Brazil. The action has the potential to open the door for significant quantities of cheap Brazilian poultry meat to enter Canada. Currently, Canada sources virtually all its chicken imports from the United States. Canadian imports of chicken are regulated under a Tariff Rate Quota (TRQ).

Effective August 1, 2002, Canada will recognize the poultry meat inspection system of Brazil. Under certain restrictions stipulated in the agreement, Brazilian poultry meat from Newcastle disease-free States in Brazil will be eligible to be exported to Canada.

Under its implementation of the WTO Agreement on Agriculture in 1995, Canada eliminated its quantitative import restrictions on poultry and eggs and imposed TRQs on these products. However, the WTO access formula would have resulted in access levels that, in certain instances, were below the levels stipulated in the NAFTA. As a result, Canada announced that it would apply the higher of either the WTO access level or the NAFTA formula level for poultry and poultry products. Currently, the Canadian WTO access level for chicken is 39,844 metric tons. The NAFTA formula level (based on 7.5% of the previous years' chicken production in Canada), and the TRQ level in effect for 2002, is 69,500 metric tons.

Traditionally, because of the mutual recognition of health standards and inspections systems with Canada, the United States has been virtually the sole supplier of imported poultry meat to Canada. However, the Department of Foreign Affairs and International Trade (DFAIT) claims it has always considered its import access levels for poultry meat and products to be global access levels and it fully intends to apply any poultry imports from Brazil against the TRQ which up to this point has been filled by U.S. exporters. The DFAIT claims that Taiwan has been eligible to ship certain cooked poultry under the TRQ for the past several years and any imports during that time, although relatively insignificant, were counted against the TRQ.

Within Access Tariff Rates: Brazilian poultry meat exports to Canada are subject to a Most Favored Nation tariff rate of 5% ad valorem, not less than 4.74 Canadian cents per kilogram or more than 9.48 Canadian cents per kilogram. Under NAFTA, U.S. poultry exports to Canada enter duty free.

Over Access Tariff Rates: Once imports exceed the TRQ, Canada assesses duty rates of between 238%-249% on poultry meat from all sources including the United States.

Comments:

Canada is an important market for U.S. poultry meat exports. In 2001, U.S. exports of poultry meat to Canada reached \$263 million, making Canada the second most important U.S. poultry meat export market after Russia (\$666 million). According to industry contacts, the Brazilian poultry industry believes it can export up to 25,000 metric tons of chicken to Canada annually which, if realized, would utilize more than one-third of Canada's chicken TRQ.

The level of U.S. poultry exports to Canada that may be displaced by Brazilian product is

expected to be influenced by price and the capability of Canadian importers to handle frozen Brazilian product as opposed to the more traditional fresh and chilled U.S. product. Industry contacts believe Brazilian chicken could have up to a 25% price advantage over U.S. product.

Canada's chicken market is traditionally short of white meat while consumption preferences in Brazil favor dark meat, thereby increasing the availability of Brazilian product for export.

Despite frequent Canada/Brazil trade rows in recent years concerning Brazilian beef and aircraft manufacturing subsidy disputes, Canadian exporting companies are believed to have pressured the Canadian government to develop an improved trade relationship with Brazil, in part leading to the poultry meat inspection system agreement.

The Canadian Chicken Farmers, the national group representing Canada's supply managed chicken industry, is unhappy with the Canadian government decision to extend poultry meat import eligibility to Brazil and believes that Brazil's chicken industry expansion is a threat to the industry in Canada.

VISIT OUR WEBSITE: The FAS/Ottawa website is accessible through the U.S. Embassy homepage. To view the website, log onto www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: info@usda-canada.com.